

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AGR-10 SWF-01 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-01 INR-07 NSAE-00 RSC-01

CIEP-02 SP-02 STR-04 TRSE-00 LAB-03 SIL-01 SAM-01

OMB-01 SAJ-01 PA-02 PRS-01 USIA-15 SS-15 NSC-05 /109 W

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R 221825Z NOV 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5954

INFO AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, UK

SUBJECT: EC COMMISSIONER LARDINOIS GIVES QUALIFIED
SUPPORT FOR BRITISH CONSUMER FOOD SUBSIDIES

BEGIN SUMMARY: IN A SPEECH IN LONDON ON NOVEMBER 21, EC
AGRICULTURE COMMISSIONER LARDINOIS SPOKE FAVOURABLY OF
THE UK'S CONSUMER FOOD SUBSIDY SYSTEM IN CERTAIN
CIRCUMSTANCES. M. LARDINOIS REFERRED PARTICULARLY TO
SUCH SUBSIDIES AS THE SOCIAL BEEF SUBSIDY SCHEME. HE
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ALSO REFERRED NOT UNFAVOURABLY TO BRITAIN'S AIMED EC-WIDE

INTRODUCTION OF A PREMIUM PAYMENT SUPPORT SCHEME FOR BEEF.
END SUMMARY.

1. SPEAKING IN LONDON TO THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS AND AT A PRESS CONFERENCE AFTER HIS ADDRESS, EC AGRICULTURE COMMISSIONER LARDINOIS MADE A NUMBER OF HIGHLY COMPLIMENTARY REMARKS ABOUT BRITAIN'S POLICY OF SUBSIDISING BASIC FOOD STUFFS, THOUGH HE WAS CAREFUL TO RESERVE THIS PRAISE FOR SUBSIDIES ON FOODS IN SURPLUS SUPPLY.

2. SPEAKING ON THE COMMUNITY'S FUTURE POLICY FOR DEALING WITH ANY FUTURE SURPLUSES OF CAP COMMODITIES, HE SAID IT SEEMED A MORE SENSIBLE POLICY TO EXPAND HOME CONSUMPTION, IF NECESSARY BY SUBSIDIES, THAN TO EXPORT SURPLUSES AT VERY LOW PRICES TO THIRD COUNTRY MARKETS. HE AGREED WITH JOURNALISTS THAT IT WAS A BETTER POLICY TO SELL BUTTER TO OLD AGE PENSIONERS THAN TO SELL IT CHEAPLY TO RUSSIA AND ALSO HIGHLIGHTED BRITAIN'S SOCIAL BEEF SCHEME WHICH HE SAID SHOWED POLITICAL WILLINGNESS TO PROVIDE CHEAP FOOD FOR SOCIALLY DEPRIVED SECTIONS OF THE COMMUNITY, BACKING UP THAT WILLINGNESS WITH HARD CASH. HE SAID "WE HAVE LEARNT OVER THE PAST YEAR FROM THE BRITISH GOVERNMENT THAT THERE ARE MORE POSSIBILITIES FOR SELLING SURPLUSES ON OUR INTERNAL MARKETS THAN WE HAD THOUGHT. I THEREFORE BELIEVE THAT WE SHOULD MAKE USE OF THIS ELEMENT IN OUR FUTURE POLICY. WHEN WE HAVE TO DEAL WITH FLEXIBLE GOVERNMENTS, LIKE THE BRITISH, THERE IS MORE IN THIS IDEA OF SUBSIDISING FOOD THAN WE USE TO THINK." M. LARDINOIS SAID THAT THE HIGH COSTS INVOLVED WERE THE MAIN DETERENT AGAINST ADOPTION OF SUCH SCHEMES BY THE ORIGINAL SIX, AND THAT NO GOVERNMENT HAD BEEN PREPARED TO PAY OUT FROM ITS OWN EXCHEQUER MONEY TO DIVERT SURPLUSES INTO THE STOMACHS OF ITS PEOPLE.

3. M. LARDINOIS TRACED THE WIDESPREAD USE OF FOOD SUBSIDIES TO THE 19TH CENTURY CONCEPT THAT IT COULD BE IN THE NATIONAL INTEREST OF A COUNTRY TO KEEP FOOD PRICES

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AND THEREFORE WAGES AT A LOW LEVEL IN ORDER TO MAINTAIN THE COUNTRY'S COMPETITIVENESS IN THE EXPORT OF MANUFACTURED GOODS. (THIS POLICY IN FACT WAS MAINTAINED BY THE UK RIGHT THROUGH THE PRESENT CENTURY UP UNTIL BUT A FEW YEARS AGO AND IS STILL HIGHLY THOUGHT OF BY A CONSIDERABLE PROPORTION OF UK POLICY MAKERS IN INDUSTRY, PARLIAMENT AND GOVERNMENT). M. LARDINOIS, HOWEVER, POINTED OUT THAT SUCH A POLICY WAS ALIEN TO THE SPIRIT OF THE TREATY OF ROME.

4. HE THOUGHT, HOWEVER, THAT IN THE PRESENT CIRCUMSTANCES OF RAMPANT WORLD-WIDE INFLATION THERE WERE IN CERTAIN CASES MORE AND BETTER REASONS FOR SUBSIDISING
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FOODS AND HE THOUGHT THAT THOSE ARTICLES IN THE TREATY OF ROME DEALING WITH SUBSIDIES SHOULD BE CAREFULLY LOOKED AT

DURING THE FORTHCOMING "STOCK-TAKING" OF THE CAP.

5. M. LARDINOIS NEVERTHELESS DECLARED THAT HE COULD NOT AGREE TO THE SUBSIDISING OF ANY FOOD STUFFS WHICH WERE IN SHORT SUPPLY AND REFERRED SPECIFICALLY TO SUGAR AT THE PRESENT TIME. RATHER TONGUE-IN-CHEEK HE PRAISED THE POLICY OF THE PRESENT BRITISH GOVERNMENT AND IN PARTICULAR MRS. SHIRLEY WILLIAMS, SECRETARY OF STATE FOR PRICES AND CONSUMER AFFAIRS, FOR THE BRITISH CONSUMER SUBSIDIES ON BUTTER AND CHEESE, CONSUMPTION OF WHICH HAS THEREBY BEEN BOOSTED. AT THE SAME TIME, THE SUBSIDY ON FLUID MILK HAS CAUSED A SHORTAGE OF MANUFACTURING MILK BY RAISING FLUID CONSUMPTION. THE REST OF THE COMMUNITY HAS CONSEQUENTLY BEEN ABLE TO EXPORT DAIRY PRODUCTS TO THE UK IN SUCH QUANTITIES THAT THE EUROPEAN BUTTER MOUNTAIN HAS DISAPPEARED.

6. M. LARDINOIS WAS QUESTIONED ON THE POSSIBILITY OF THE COMMUNITY AS A WHOLE ADOPTING SOME FORM OF DEFICIENCY PAYMENT SCHEME FOR BEEF PRODUCERS WHEN THE 1975 BEEF REGIME IS SETTLED EARLY NEXT YEAR. IN A GUARDED REPLY HE AGREED THAT PLANS FOR THE NEW BEEF REGIME WOULD CERTAINLY TAKE INTO CONSIDERATION THE NEW SYSTEM OF VARIABLE PREMIUMS BROUGHT BACK FOR UK BEEF PRODUCERS BY MINISTER PEART FROM THE EC COUNCIL OF MINISTERS' MEETING ON NOVEMBER 18-20.

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